

## Message Text

PAGE 01 KHARTO 02141 241133Z

43

ACTION XMB-07

INFO OCT-01 AF-10 ISO-00 EB-11 TRSE-00 DOTE-00 L-03 AID-20

IGA-02 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /066 W

----- 044590

R 240940Z SEP 73

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 7149

INFO USDOC WASHDC

C O N F I D E N T I A L KHARTOUM 2141

E.O. 11652:

TAGS: EGEN, BEXP, SU

SUBJ: LOCOMOTIVES FOR SUDAN RAILWAYS (SR)

REF: (A) STATE 185103; (B) KHARTOUM 2132; (C) KHARTOUM 2051

1. SUMMARY: SR NEED FOR LOCOMOTIVES APPEARS LEGITIMATE. MANAGEMENT A PROBLEM BUT IS RECEIVING IBRD ATTENTION. MAINTENANCE DEFICIENCIES DO NOT APPEAR INSURMOUNTABLE AND BEING REDUCED. LOCOMOTIVES ARE NUMBER ONE PRIORITY FOR SR AND MAJOR DEVELOPMENT NEED. PURCHASE JUSTIFIED FINANCIALLY. EMBASSY RECOMMENDS EXIM SUPPORT. END SUMMARY.

2. FOLLOWING ARE EMBASSY COMMENTS ON QUERIES RAISED REF A AS WELL AS ON OTHER FACTORS WHICH WE BELIEVE SHOULD BE CONSIDERED BY EXIM IN MAKING DECISION RE FINANCING POSSIBLE SALE GM LOCOMOTIVES TO SR. RESPONSES BASED ON INFO AVAILABLE TO EMBASSY AS WELL AS DISCUSSION WITH U/S MIN TRANSCOMM, ABDEL MONEIM ABBAS (REF B) IN WHICH THESE ISSUES EXPLORED:

(A) NEED FOR LOCOMOTIVES: SR FLEET CURRENTLY HALF DIESEL, HALF STEAM. IBRD IN 1972 REPORT URGED GOAL OF FULL DIESELIZATION AS SOON AS POSSIBLE. EVEN WITH SIGNIFICANT IMPROVEMENT ANTICIPATED IN MAINTENANCE OF CURRENT FLEET, IBRD FELT AT TIME OF REPORT THAT ADDITIONAL FIFTEEN (15) MAINLINE DIESELS REQUIRED AS FIRST STEP IN HANDLING EXISTING AND ANTICIPATED TRAFFIC. CURRENT GOS PLANS FOR 20 LOCOMOTIVES (10 FROM FRG AND 10 FROM GM) EXCEEDS THAT  
CONFIDENTIAL

PAGE 02 KHARTO 02141 241133Z

IMMEDIATE TARGET, BUT IS CLEARLY CONSISTENT WITH BROADER GOAL OF FULL DIESELIZATION AND REFLECTS INCREASED URGENCY OF IMPROVING RAIL SYSTEM WHICH HAS DEVELOPED OVER PAST 18 MONTHS SINCE IBRD STUDY COMPLETED.

(B) MANAGEMENT OF RAILWAY: AS NOTED KHARTOUM 1677, SR MANAGEMENT HAS BEEN WEAK POINT. AS ALSO NOTED, HOWEVER, IT IS ONE OF PRIME TARGETS CURRENT IBRD PROJECTED LOAN. IN FACT, IBRD MADE SR ACCEPTANCE OF OUTSIDE CONSULTANT/ADVISER PRECONDITION FOR EQUIPMENT LOAN. SR ACCEPTED THIS FUNDITION AND SOME ADVISERS FROM AUSTRALIAN RAILWAYS ARRIVED IN ATBARA IN AUGUST TO BEGIN THIS ASPECT OF IBRD PROJECT. THEY WILL BE WORKING IN FIELDS OF MAINTENANCE, OPERATIONS AND RAILWAY COMMUNICATIONS. RESULTS, OF COURSE, REMAIN BE SEEN, BUT WEAKNESS HAS BEEN RECOGNIZED AND REMEDIAL STEPS ARE BEING INITIATED.

(C) SUPPORT AND MAINTENANCE OF LOCOMOTIVES: WHILE MAINTENANCE PROBLEMS HAVE EXISTED WITH SR DIESEL FLEET, SOME OF THESE HAVE RESULTED NOT FROM WEAKNESS IN SR BUT FROM INCOMPATIBILITY OF EQUIPMENT WITH SUDANESE OPERATING CONDITIONS (HEAT, SAND, ETC.) HAVING LEARNED FROM PAST MISTAKES AND WITH GM'S EXPERIENCE IN EGYPT, THIS ASPECT SHOULD BE MINIMIZED. IN ADDITION, SOME OF PROBLEMS RESULT FROM SR'S RELATIVE LACK OF EXPERIENCE WITH DIESELS. IN GENERAL, HOWEVER, SR WORKSHOPS GET HIGH MARKS FROM KNOWLEDGEABLE OBSERVERS (INCLUDING IBRD) FOR THEIR VERSATILITY AND STAFF SKILLS. THUS WITH EXPERIENCE THERE IS REASON TO EXPECT IMPROVEMENT. AND IN FACT, ABBAS NOTES THAT UTILIZATION RATE FOR LOCOMOTIVES HAS RISEN IN PAST YEAR FROM 70 PERCENT CITED IN IBRD REPORT TO 75 PERCENT. WITH ADDITION AUSTRALIAN MAINTENANCE ADVISERS, TREND CAN BE EXPECTED CONTINUE. CLEARLY ADDITION OF GM EQUIPMENT NOT PREVIOUSLY IN FLEET DOES POSE CERTAIN PROBLEMS. BUT AVAILABILITY EXPERIENCED PERSONNEL AND SPARE PARTS IN NEIGHBORING EGYPT OFFERS MAJOR ADVANTAGE IN EASING TRANSITION. FURTHER, MOREOVER, PROBLEM INHERENT IN MAKING BREAKTHROUGH INTO THIS SIGNIFICANT LOCOMOTIVE MARKET.

(D) PRIORITY OF OTHER NEEDS. ABBAS STATES CATEGORICALLY THAT LOCOMOTIVES COME FIRST ON RAILWAY. AS FOR RAILROAD PRIORITY COMPARED OTHER DEVELOPMENT NEEDS, PRECISE DETERMINATION DIFFICULT. TRANSPORTATION SECTOR IN GENERAL IS REGARDED BY ALL DONORS AS MAIN DEVELOPMENT BOTTLENECK. WITHIN THAT SECTOR, CONFIDENTIAL

PAGE 03 KHARTO 02141 241133Z

GOS PROBABLY DOES NOT FEEL IT CAN AFFORD MAKE CHOICES. ROAD, RIVER TRAFFIC, RAILROAD AND, OF COURSE, AIRCRAFT ALL MUTUALLY EXCLUSIVE SERVING DIFFERENT NEEDS AND ALL REQUIRE URGENT IMPROVEMENTS. CERTAINLY FOR NEXT FEW YEARS (AT LEAST UNTIL KHARTOUM-PORT SUDAN ROAD COMPLETED) RAILWAY IS COUNTRY'S LIFE LINE--KEY TO INTERNAL SUPPLY AS WELL AS TO EXPORTS WHICH WILL EARN HARD CURRENCY TO PAY FOR THIS AND OTHER DEVELOPMENT NEEDS.

(E) GOS/SR FINANCIAL PICTURE: WHILE (AS NOTED PREVIOUS REPORTING) BOTH OVERALL GOS AND NARROWER SR DEPT PROFILES ARE ITEMS LEGITIMATE CONCERN, SEVERAL FACTORS SHOULD BE INCLUDED IN CONSIDERING THIS POSSIBLE LOAN WITHIN THAT CONTEXT. FIRST, IN

TERMS OF OVERALL GOS DEBT, AMOUNT INVOLVED IS NOT LARGE AND WITH REPAYMENT OVER TEN YEAR PERIOD IT AVOIDS ISSUE OF GREATEST CONCERN--LOANS UNDER FIVE YEARS-- AND EXTENDS REPAYMENT INTO PERIOD WHEN PROJECTIONS SHOW GOS DEBT RATION SHOULD BE DECREASING. AS FOR SR, RECENT CAPITAL EXPENDITURES HAVE NOT BEEN EXCESSIVE; IN FACT THEY ARE SUBSTANTIALLY UNDER FIVE-YEAR PLAN AUTHORIZATIONS. MOREOVER, PROGRAMMED EXPENDITURES APPEAR CONSISTENT WITH PLAN OBJECTIVES, AND IN MOST CASES WILL INVOLVE LONGER TERM CONCESSIONAL FINANCING. THE FY 74 PLAN CALLS FOR LS 800,000 IN EXPENDITURES FOR LOCOMOTIVES WITH FURTHER LS 1,700,000 PROJECTED FOR FY 75. OTHER EQUIPMENT SEPARATELY BUDGETED. AS FOR FINANCING, MAJOR SOURCES ARE IBRD, FRG AID AND AFDB. U/S ABBAS STATED ONLY ANTICIPATED NEW COMMERCIAL LOANS (OTHER THAN EXIM) ARE SOME LS 1.4 MILLION FOR SPARED PARTS THROUGH ECGD, AND UNKNOWN, BUT MODERATE, AMOUNTS FROM SPANISH SOURCES TO ROUND OFF AFDB LOAN FOR WAGONS. THUS WHILE EXISTING DEBTS, AS ABBAS HIMSELF NOTED IN JULY, MAY BE SUBSTANTIAL, SR'S PLANS AND MODERATE INCREASES DO NOT APPEAR OUT OF LINE.

3. COMMENT: EMBASSY AGAIN RECOMMENDS IBRD AS EXCELLENT SOURCE DETAILED AND UP-TO-DATE INFO ON SR. UNLESS IBRD FACTS CONTRADICT THOSE AVAILABLE TO US, WE BELIEVE EXISTING DATA ARGUE IN FAVOR APPROVING GOS/GM REQUEST FOR FINANCING. CLEARLY, POLITICAL FACTORS HAVE PUSHED NEED FOR LOCOMOTIVES TO CENTER STAGE AT THIS PARTICULAR MOMENT (AND, INCIDENTALLY, GIVEN UNEXPECTED CHANCE TO US MANUFACTURERS). BUT THESE FACTORS, WHILE OF MAJOR IMPORTANCE BOTH TO GOS INTERNALLY AS WELL AS TO USG IN TERMS OUR RELATIONS WITH THIS GOVERNMENT, DO NOT APPEAR CONFIDENTIAL

PAGE 04 KHARTO 02141 241133Z

IN THIS INSTANCE TO HAVE DISTORTED EITHER PLANNING OR ECONOMIC FEASIBILITY CRITERIA. THEY HAVE ONLY SERVED HIGHLIGHT IMPORTANCE OF AND NEED FOR ACCELERATED IMPROVEMENT OF SR.

4. ACTION REQUESTED: EXIM GIVE EMBASSY EARLIERST POSSIBLE INDICATION OF LIKELIHOOD CREDITS BEING EXTENDED IN THIS CASE. DCM WAS VERY EXPLICIT IN POINTING OUT TO ABBAS EXIM PROCEDURES AS WELL AS CONSTRAINTS PLACED ON EXIM IN TERMS ITS RESPONSIBILITY TO CONGRESS TO MAINTAIN SOUND LENDING POLICIES. BUT, AS SHOWN DURING BOEING NEGOTIATIONS, GOS IS INCLINED BE OPTIMISTIC IN THESE MATTERS WITH ANY SHORTFALL BECOMING A BILATERAL ISSUE. THUS, EMB WOULD APPRECIATE EARLIEST POSSIBLE INDICATION EXIM ATTITUDE. BREWER

NOTE BY OC/T: #AS RECEIVED. WILL BE SERVICED ON REQUEST.

CONFIDENTIAL

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 10 MAY 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RAILROADS, ROLLING STOCK, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** collinp0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973KHARTO02141  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652  
**Errors:** n/a  
**Film Number:** n/a  
**From:** KHARTOUM  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730963/abqcefqe.tel  
**Line Count:** 158  
**Locator:** TEXT ON-LINE  
**Office:** ACTION XMB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) STATE 185103; (B) KHARTOUM 2132; (C) KHARTOUM 2051  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** collinp0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14-Jan-2002 by kelleyw0>; APPROVED <04 MAR 2002 by collinp0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LOCOMOTIVES FOR SUDAN RAILWAYS (SR)  
**TAGS:** EGEN, BEXP, SU, XMB  
**To:** STATE INFO USDOC  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005